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SIPDIS

USDOC FOR EWHITEMAN AND 5102/FOREIGN TRADE ZONES (ITA/IA)

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [LO](#)

SUBJECT: FOREIGN FREE TRADE ZONES

REF: STATE 44705

11. The following is post's response to questions raised in reftel.

12. The Customs Act No. 238/2001 of the Collection of Laws as later amended defines free customs zones and free customs warehouses (in Article 379) as parts of the customs territory or premises situated in that territory, separated from the rest of it in which: 1) foreign goods are considered for the purpose of import duties and commercial policy measures as not being on the customs territory, provided they are not released for the free circulation regime or placed in another customs regime under conditions other than those provided for in customs regulations; 2) Slovak goods meet conditions according to special regulation (Law 229/1995 of Collection of Laws as later amended on Excise Tax on Alcohol) adopting measures usually connected with the export of goods, as a result of their placement into the free customs area and free customs warehouse. Currently there are four areas in Slovakia with the valid status of a free customs zone: Zilina in Northern Slovakia, Banska Bystrica in Central Slovakia, Trencin in Western Slovakia, and Kosice in Eastern Slovakia. There are no geographic limitations where free customs zones or warehouses can be located. In general, existing zones do not play a significant role in Slovakia's economy and are not an important factor in attracting foreign investment.

13. The Ministry of Finance (MOF), based on a prior decision by the GOS, permits the establishment of free customs zones, with an appropriate application, although only Slovak citizens are eligible to apply. (NOTE: a Slovak citizen is a person or a legal person with a permanent address in the Slovak Republic). The MOF, determines which parts of a customs territory will form a free customs zone, who the operator will be, conditions of the free customs zone, the places of entry and exit, and time period for which the free customs zone is established. Free customs zones or free customs warehouses are subject to supervision by the customs authorities.

14. Both Slovak and foreign goods may be placed in free customs zones or free customs warehouses without a time limit. Goods entering a free customs zone or free customs warehouse do not need to be presented to the customs office, or require a customs declaration be lodged. The Customs office can require goods that are subject to export duties or other export provisions to be identified to local customs offices by a person who has placed the goods in the free customs zone or free customs warehouse. However, operations performed for inward processing within a conditional system or under customs surveillance in free customs zones or free customs warehouses cannot be performed without a permit from a customs office. The customs office shall determine the locations inside free customs zones or free customs warehouses where processing operations shall be performed.

15. Any industrial, commercial, or service activity conducted in a free customs zone or free customs warehouse must be authorized by customs authorities. Such activities must be reported in advance to a customs office. Customs offices may impose restrictions on activities in free customs zones or free customs warehouses depending on the nature of the goods, how well customs regulations are honoured, and on the provision of guarantees of compliance with customs regulations. Foreign goods placed in free customs zones or free customs warehouses may be released for free circulation, inward processing, readjustment under customs surveillance, and temporary use. Certain activities allow goods released to a free circulation regime or a temporary import regime (that does not entail an application of import duties or measures under the state's agricultural policy or commercial policy) to be used or consumed. In this case, customs declarations for release to a free circulation regime or temporary import regime is not required. Such a declaration shall, however, be required if such goods are to be charged against a quota or a ceiling.

16. Instead of free customs zones or free customs warehouses, a regime of inward processing is commonly employed in Slovakia. As defined by law, an inward processing regime, allows goods to pass through one or more processing operations within a customs territory in one of two ways.

First, foreign goods intended for re-export from the customs territory in the form of compensatory products without being subject to import duties or commercial policy measures (this is known as a suspension system). Second, goods released to a free circulation regime with repayment or remission of the import duties chargeable on such goods, if they are exported from the customs territory in the form of compensatory products (this is known as a drawback system). The individual responsible for processing operations must acquire

authorization from the customs office, and such authorization can only be granted to a Slovak citizen. Processed goods and products that will be re-exported are not subject to import duties. However, if merchandise that entered the country to be processed and then re-exported, is instead released into the free circulation regime, a customs debt and any compensatory interest will be due. The amount of the customs debt shall be determined on the basis of the conditions specified for the imported goods at the time of the acceptance of the declaration for release of these goods under the inward processing regime. The compensation interest charge reimburses the state for the difference in revenue it received due to the customs debt being settled later.

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